Not all area dot-coms extinct

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Abstract (Article Summary)

Steven Kaplan, a University of Chicago business professor and guru of the new economy, said the dot-com era wasn't a total loss: "The big positive has been the increase in productivity, which has been off the charts since the mid-1990s. The big winners have been businesses and consumers that can do things more efficiently, such as buying books and supplies online, from the Amazon.coms of the Net. Of course, things haven't turned out so well for many of the dot-coms."

During the dot-com boom, founder and CEO Warms, 36, moved the company from Lincoln Park to offices in the West Loop, proudly putting a Participate.com sign on the building. His customers included Microsoft, Cisco, AT&T, AARP, Mercury Interactive and Sony.

While many of the dot-com companies of just a few years ago were voted off the island, there have been a handful of survivors, including James A. Crouthamel (from left), founder and CEO of **Performics**; Alan K. Warms, founder and CEO of Participate Systems, and [Matthew Moog], president and CEO of CoolSavings.com. They are seen in the sports bar North Beach Chicago. -RICHARD A. CHAPMAN/SUN- TIMES

Full Text (1173 words)

On Nov. 1, Participate Systems, the developer of software to manage online communities, celebrated a milestone: its fifth anniversary.

"Rumors of the company's demise have been circulating for five years," said founder Alan Warms. "But we are alive. Even though our business model is based on the Internet, it isn't crazy. And next year we will be profitable."

Likewise, the rumors of the death of the dot-com companies-- companies that use the Internet to do business or

that provide infrastructure or technology for Internet companies--in general might be premature. Though thousands of start-ups nationally were non-starters, hundreds of others are still surviving, some even thriving.

Darcy Evon, owner of i-Street media properties covering Chicago tech, said that at the dot-com peak in 2000, 350 dot-coms operated in Chicago. Today, only 50 or so still exist, in varying degrees of financial health.

These are the dot-com survivors. They have outwitted, outlasted and outplayed other companies that have been ousted by the laws of the economic jungle.

Among those companies still standing are Archipelago, B2P Commerce, Briefing.com, Click Commerce, CuriousNetworks, DigitalWork.com, FullAudio, EthnicGrocer.com, GolfServ, iGive.com, Harmonic Vision, IExplore, Legacy.com, Looking Glass Networks, myFootpath, optionsExpress, Spirian Technologies, TV House, uBid, Videohometours. com, Visual Insights and YesMail.

Steven Kaplan, a University of Chicago business professor and guru of the new economy, said the dot-com era wasn't a total loss: "The big positive has been the increase in productivity, which has been off the charts since the mid-1990s. The big winners have been businesses and consumers that can do things more efficiently, such as buying books and supplies online, from the Amazon.coms of the Net. Of course, things haven't turned out so well for many of the dot-coms."

He said many venture capitalists and stock-market investors threw hundreds of millions of dollars at bad business plans: "A lot of very smart people made mistakes. A lot of businesses were constructed with the idea that they would attract visitors to Web sites and would figure out how to make money later."

The Sun-Times called a Tribal Council meeting to ask some of the survivors to share their secrets for staying alive in a down economy:

CoolSavings, the publicly traded online couponing and marketing company, was launched here in March 1997.

It now has 23 million registered members, making it the most popular "savings site" online. CoolSavings has about 250 advertisers, including Unilever, 3M, GlaxoSmithKline, JCPenney, Target, Old Navy, Payless ShoeSource and Amazon.com.

Matthew Moog, 32, president and chief executive of 113-employee CoolSavings, said CoolSavings went from a $20.5 million loss in 2001 to nearly break even this year.

This year, CoolSavings went after new revenues by introducing new products, including a tech licensing business, a direct mail business and a network, distributing coupons online for publications such as the Sun-Times and the Knight Ridder newspaper chain.

Inforte Inc., the Chicago e-business consulting company, is a rarity among dot-com era companies: It has been profitable since it started.

Phil Bligh, 35, a former Arthur Andersen consultant, founded Inforte in 1993, and took it public in February 2000.

Inforte, which focuses on customer interactions, revenue forecasting and profitability, has been riding out the biggest downturn in the history of the information and consulting industries.

Bligh said, "When we went public, there were about 30 public consulting organizations. Most of those are now out of business, having either been sold or filed for Chapter 11," including MarchFirst, Lante and Xpedior in Chicago alone.

Bligh said the consultancy has redoubled efforts to help clients improve the efficiency and effectiveness of sales, service and marketing, as well as improving their forecasting processes and their company-wide response and alignment to customer needs.

Inforte avoided dot-com clients, preferring to focus on helping traditional companies get online.

The 248-employee company's 35 clients include Blue Cross/Blue Shield of Illinois, Elsevier Science, Experian, Home Depot, LexisNexis, Sabre and United Stationers.

"Inforte has made proactive decisions regarding its cost base," Bligh said. "Using our long visibility time horizon, we have been able to plan costs appropriately and bring those costs in line with changing revenue levels. This has allowed us to stay profitable and generate cash for 19 quarters in a row."

Participate Systems started out in November 1997 using technology to help companies build and manage online communities of customers as well as sales people, tech professionals and consultants.

During the dot-com boom, founder and CEO Warms, 36, moved the company from Lincoln Park to offices in the West Loop, proudly putting a Participate.com sign on the building. His customers included Microsoft, Cisco, AT&T, AARP, Mercury Interactive and Sony.

When tech stocks started crashing in April 2000, Warms withdrew Participate.com's plans for an initial public share offering, and Participate began to transform itself into a software company that sold community-management software to corporations.

A stubborn Warms swore he would stick with the "dot-com" on the end of the corporate name. But it became an obstacle. "We had to swim upstream to overcome the dot-com in meetings with prospective clients," he said.

Warms said the new software-company direction has paid off as the company has attracted customers, including Wm. Wrigley Jr. Co., BEA Systems, Cap Gemini Ernst & Young and American Airlines.

"We have retained customers and even grown even with the downturn," he said.

Warms said Participate has been watching its spending. The 80- employee company, which in May received $5 million in venture funding, two months ago moved from downtown to its original quarters in Lincoln Park.

Warms would not disclose financial information on the privately held company. But he said, "We are close to profitability and have plenty of cash in the bank."

Performics was launched in 1998 as **Dynamic Trade** Inc., a start- up that attacked a key Net business problem: People ignored banner ads. **Performics** based its fees on whether online ads delivered sales, new customers or leads.

James Crouthamel, 38, **Performics**' founder and chief executive, said **Performics** steered clear of start-up clients and focused on traditional high-volume, high-quality markets.

Performics, which has 75 employees, has more than 180 clients, including retailers such as Kohls, the Container Store, Eddie Bauer, and Jos. A Banks; catalogers such as Sportsman's Guide, Orvis and J Jill, and other direct marketers such as First USA credit cards, Verizon Wireless and Bose.

He said the strategy has paid off with the privately held company moving into the black since the fourth quarter of 2001.

He would not disclose revenues, but said that 2002 revenues are on track to grow 100 percent over 2001.

"People should be reminded that despite all its hype and failure, the dot-com era also created some tremendous opportunity," Crouthamel said.

[Illustration]
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